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1 JUL 1977

MEMORANDUM FOR: Deputy Director for Administration
FROM : F. W. M. Janney
Director of Personnel
SUBJECT : CIARDS Administration (U)
REFERENCE : Memo to DDA fr D/Fin, dtd 16 Jun 77,
re same subject

1. (U) Referent memorandum responds to your request to review savings to be realized by transferring administration of the CIA Retirement and Disability System to the Civil Service Commission. The view of the Office of Personnel is that important considerations, other than cost, are involved; and that, indeed, such a transfer could add costs in other directions that would offset the savings cited by the Director of Finance.

2. (U) We trust that your request to the Director of Finance was one of obtaining information only and does not indicate a disposition to proceed toward a merger of CIARDS with Civil Service. Certainly the time is not propitious for suggesting such a change now. The Congress is, as you know, considering a range of proposals regarding retirement systems, removal of mandatory retirement ages and the coverage of Federal civilian employees under Social Security. With all of this attention being given to various aspects of retirement and retirement systems, we would do well to avoid initiating any legislative effort involving CIARDS lest we find ourselves the target of more sweeping changes than we might desire. Furthermore, we are already on record, and rather convincingly and strongly, as being opposed to the merger of any aspect of CIARDS, including the merger of retirement funds. Our most recent position in this regard was conveyed to a task force of the GAO which was commissioned by the Congress to study the merger of all Federal civilian retirement systems; informal "feedback" from the director of the task force indicated that he thought our reasons for maintaining CIARDS separate were sound.

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3. (U) Apart from matters of timing and our previous positions on the subject, however, we believe that there are other considerations that offset the conclusions and savings identified by the Director of Finance:

a. The idea of transferring the CIARDS Fund and preparation of actuarial evaluations to the Civil Service Commission offers the likelihood of threat to the Director's responsibility for protecting intelligence sources and methods. I think it is unlikely that CIA could retain responsibility for the CIARDS Fund and its appropriations. The very nature of responsibility in bureaucracy would dictate that the Commission would assume full responsibility for the Fund. (No doubt it would not remain separate but would become a part of the larger Civil Service Fund.) The Commissioners would, understandably, want to know precisely what their present and future obligations were to annuitants and to the Government. This would require all types of information which we would, perforce, be compelled to give to them.

b. Commission personnel would have access to all aspects of the actuarial evaluations and projections for CIARDS, and it would be difficult to require the Commission to isolate these actuarial considerations apart from their other studies in such a way as to preserve the security of our numbers. This could be a serious threat to protection of sources and methods. Actuarial evaluations and projections involve data on the numbers of participants in CIARDS as well as numbers of participants coming into the System in future years. This would divulge a rather clear picture of the size of the operational cadre of the Agency and its supporting elements. Such information, juxtaposed with the public fact that CIARDS, for "certain" employees, covers about one-fourth of Agency strength, would practically announce to the world the extent of CIA's clandestine cadre. Add to this the proclivities of Congressmen and their staff members for asserting influence over the Commission and the latter's vulnerability (compared with CIA) to such incursions and we see a situation in which some of the most fundamental aspects of CIARDS will not be classified at all; they will become public knowledge.

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4. (U) If a transfer such as indicated in referent memorandum were to occur, we envision an increase in liaison with the Commission, with attendant expense concerning projections of future liability for annuities and, undoubtedly, on the feature of "netting" from total CIARDS contributions going to the Commission. We should also expect an increase in activity similar to that which we already experience: Many present CIA Civil Service retirees write to the Agency on all matters pertaining to their retirement benefits and related matters, and we refer these to the Commission. We could reasonably expect that some portion of CIARDS retirees would continue to address the Agency, requiring our increased liaison with the Commission.

5. (C) We could expect, also, increased business with the Commission in regard to those CIARDS retirees who are to be covered in retirement as Civil Service retirees. This will be a wholly new experience for the Commission, and it will no doubt also tax the ingenuity of Central Cover Staff. CIARDS retirees who are to be documented as Civil Service in retirement would have to be "backstopped" at the Commission by retirement records (Form 2806) from the Federal entity as their ostensible employer. (We certainly cannot use Form 2806 from CIA in such cases.) To what extent the Commission has security procedures to cope with such situations I cannot say at this point, but it is probably safe to conclude that the Commission would have to increase security measures for our protection of CIA.

6. (C) The factor of morale cannot be dismissed from any consideration of merger and, on this score, the loss of morale resulting from a merger could not be compensated for by savings of finances and slots of the order described in referent memorandum. For over one-third of the life of this Agency, participation in CIARDS has represented an aspiration in terms of personal and professional achievement. For good or bad, many employees have regarded it as comprising the elite of the Agency. Lest one hasten to point out that the motivation is the higher formula under CIARDS, we cite a most powerful example to the contrary: In 1976 we offered 1,260 participants the opportunity to opt out of CIARDS back to Civil Service where they would receive higher annuities by the time they reached age 60; only 16 of the 1,260 chose to opt out. In 1974 when we were preparing to respond to the OMB as to why CIARDS should not be merged with Civil Service,

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Mr. Bill Nelson (erstwhile DDO) wrote a memorandum stating that a CIARDS administered by CIA was a morale factor among DDO officers and that, in his opinion, to merge it with Civil Service would have a deleterious effect on morale in the DDO. I believe Bill's observation is valid today. While the proposal deals only with the administration of annuities, there is a considerable amount of potential contact with CIARDS annuitants. They apparently treat this contact as a continuing bond with CIA. Transferring their point of contact could be viewed, in their minds, as severing their bond.

7. (U) I submit that these few items I described here are sufficiently serious to cause some doubt as to the wisdom of a transfer based only on consideration of savings on only four positions and \$102,000. I suggest that Chief, Central Cover Staff be included in any discussions concerning the possibility of merger.

(Signed) F. W. M. Janney

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